

## *What Is the Price of Being Cheap?*

“The price of something is not always measured in money.”

— RICH D<sub>AD</sub>

There are many books that popularize the idea of frugality and living below your means. Many so-called money experts write, speak, or broadcast on radio and TV the virtues of cutting up your credit cards, saving money, putting the maximum amount into your retirement plan, driving a used car, living in a smaller house, clipping coupons, shopping at sales, eating at home, passing used clothes from older kids down to the younger kids, taking cheaper vacations, and other such tips.

While these are excellent ideas for most people, and while there is a time and place for frugality, most people do not like these ideas. The truth for most people is that they love to enjoy the finer things of life that money can buy. For most people, a big home, a new car, fun toys, and expensive vacations are much more fun and desirable than putting money away in a bank. Most of us tend to agree with the wise sages professing frugality and economic abstinence. Yet, deep down, many of us would rather have a platinum credit card without a spending limit... that is paid for by your rich uncle who has more money than all the Arab oil sheiks, private Swiss banks, and Bill Gates combined.

While most of us enjoy the wonderful things money can buy, we realize that it is the unbridled desire for the fun, fine, and fancy things of life that gets many of us in financial trouble. And it is the financial trouble that these desires spawn that causes the money gurus to say, “Cut up your credit cards. Live below your means. Buy a used car.”

On the other hand, my rich dad never said to me, “Cut up your credit cards.” He never said, “Live below your means.” Why would he advise me to do things he personally did not believe in? When it came to the idea of frugality,

he did say, “You can become rich by being cheap. But the problem is, even though you’re rich, **you’re still cheap.**” He would further say, “It makes no sense to me to live cheap and die rich. Why would anyone want to live cheap, die rich, and then have the kids spend your life’s savings after the funeral?” Rich dad noticed that people who scrimped and saved all their lives often had children who acted like starving hyenas once the parents were gone. Instead of enjoying their parents’ inheritance, they often fought over the money and spent it all soon after they got their hands on what they called their “fair share.”

Instead of telling me to live cheaply, rich dad often said, “If you want something, find out the price, then pay the price.” He also went on to say, “But always remember, **everything has a price.** And the price for becoming rich by being cheap is that you’re still cheap.”

### ***The Different Ways You Can Become Rich***

Rich dad went on to explain, “You can become rich by **marrying someone** for his or her money. But we all know the price of that. I had a classmate in New York who often said, ‘It is just as easy to marry a rich girl as a poor girl.’ When he graduated, he married into a very rich family just as he said he would. I personally think **he was a slimeball**, but that was his way of becoming rich.”

You can become rich by becoming a **crook**, and we all know the price of that choice. When I was a kid, I thought a crook wore a mask and robbed banks. Today, I realize that there are many crooks that wear blue suits, white shirts, red ties, and who are **often respected members of their community.**

There are others who become rich by **betting at the casino or racetrack**, on the lottery, or blindly throwing their money into the stock market. We know the price of that. During the dot-com mania, I knew many people who were ready to write a check if all you said was, “I’m starting an Internet company”

You can become rich by being a bully and we all know what happens to a bully. Eventually, an even bigger bully comes along, or the bully finds that the only people willing to do business with him or her are people **who enjoy being pushed around.**

And as described earlier, you can become rich **by being cheap** and we all know that the world tends to despise rich people who are cheap... people like Scrooge in Charles Dickens’s classic *A Christmas Carol*. Most of us have met people who always want a larger discount, complain about the bill, or even worse, refuse to pay the bill for one frivolous reason or another. A friend who

owns a dress shop often complains about the type of customer who buys a dress, wears it to a party, and then returns it a few days later, asking for her money back. And of course, there are those who drive old cars, wear clothes too long, buy cheap shoes, and look poor and yet have millions of dollars in the bank. While these individuals can become rich with such cheapness, there is a price far beyond money for such behavior. I personally struggle with being too cheap at times, and yet I notice that people tend to smile more or like me more when I am generous. For example, when I tip a little extra for good service, it comes back to me in other ways. In other words, people tend to like generous people more than cheap people.

### *Can Everyone Be Rich?*

Rich dad and I talked further about the price of being rich. He told me, “The price is different for different people.”

Rich dad also said, “The only people who think life should be easy are lazy people.”

Not being satisfied, I pressed on with my questioning. What did he mean by the price is different for different people. His reply was, “I would like to think that we all come into this world with unique gifts and talents... gifts and talents such as singing, painting, athletics, writing, parenting, preaching, teaching, and so on. But just because God gave us these talents, it is still up to each of us to develop those talents... and developing those talents is often the price. The world is filled with smart, talented, and gifted people who are not what we would call successful financially, professionally, or in their personal relationships. While each of us has gifts, each of us has personal challenges to overcome. No one is perfect. Each of us has gifts and challenges, strengths and weaknesses. That is why I say, the price is different for different people because each of us has different challenges. The only people who think life should be easy are lazy people.”

I do not know if rich dad’s statement about lazy people is true or not. I do know that his statement has been useful for me, whenever I found myself complaining about things not being easy, or things not going my way. When I find myself saying, “I wish things were easier,” I know I am getting lazy. So whenever I find myself wishing things would be easier, I take a break, check my attitude, and ask myself about the long-term price of having that attitude. It’s not that I don’t look for an easier way to do things. I am simply aware of when

I tend to be lazy, cheap, or when I act like a spoiled brat, and then I ask myself what the price might be for that behavior.

### *Money Is the Reward for Paying the Price*

Rich dad would also say, “Ask anyone who is rich, famous, or successful, and I am sure they will tell you that they had and have personal challenges and demons to face every day along the way. Son, **there is no free lunch**. My challenge was that I had no education and no money when I started out. I also had a family to feed when my father died. I was thirteen years old when I was given that challenge... and there were even greater challenges to come. Yet, I managed to pay the price, and in the end, I achieved great wealth. In hindsight, money was my reward for paying the price.”

### *The Price of Security*

Over the years, rich dad made sure his son, Mike, and I were always aware of the price of something. When my dad, the man I call my poor dad, advised me to “Find a safe secure job,” rich dad’s reply was, “Remember, **there is a price for security**” When I asked him what the price was, he answered, “For most people, the price of security is **personal freedom**. And without freedom, many people spend their lives working for money, rather than living out their dreams. To me, to live life without achieving my dreams is much **too high a price to pay** for security.” He also made his usual comment on taxes, by saying, “People who seek security over freedom pay more in taxes. That is why people who have safe, secure jobs pay more in taxes than people who own the business that provides the jobs.”

I spent a few days thinking about that comment, letting the magnitude of the **idea sink in**. The next time I saw rich dad, I asked him, “**Do I have to choose** between security or freedom? In other words, does that mean I can have one but not the other?”

Rich (dad) laughed after he realized how much thought I had given to his remark. “No,” he replied, still chuckling. “You don’t have to have one *or* the other. **You can have both.**”

“You mean I can have both security and freedom?” I asked.

“Sure,” he said. “**I have both.**”

“So why, by did you say that for most people, the price of security is personal freedom?” I asked. “How can you have both when you say most people can have only one. What’s the difference?”

“The price,” said rich dad. “I’ve always said to you that everything has a price. Most people are willing to pay the price for security, but they are not willing to pay the price for freedom. That is why most people have only one of the two. They only have one or the other.”

“And why do you have both security and freedom?” Mike asked. He had just entered the room and had heard only part of the conversation.

“Because I paid twice the price,” said rich dad. “I was willing to pay the price for both security and freedom. It’s no different than having two cars. Let’s say I need a truck but I also want a sports car. If I want both, I pay twice the price. Most people go through life paying for one or the other, but not both.”

“We pay a price even if we don’t pay *the* price,” rich dad continued.

“So there is a price for security and there is a price for freedom. And you paid the price for both.” I repeated what rich dad had just said, so I could let the idea sink into my head.

Rich dad nodded his head. “Yes, but let me add one more point of clarity about my being willing to pay the price to have both. You see we all pay a price anyway. We pay a price even if we don’t pay the price.”

“What?” I replied, frowning and shaking my head. Rich dad now seemed to be speaking in circles.

“Let me explain,” said rich dad, gesturing with his hands that we should calm down. “Do you remember when I helped the two of you with your science homework a few weeks ago? You were studying Newton’s laws?”

Mike and I nodded.

“Do you remember the law of for *every action there is an equal and opposite reaction?*”

Again we nodded. “That is how a jet flies through the air,” said Mike. “The engine propels hot air backward and the jet moves forward.”

“That’s right,” said rich dad. “Since Newton’s laws are universal laws, they apply to everything, not only jet engines.” Rich dad looked at the two of us to see if we were following what he had just said. “Everything.” He again repeated just to make sure we understood.

“Okay, everything,” said Mike, a little frustrated at the repetition.

Suspecting that we were not really getting his point about *everything*, rich

dad continued, “By everything I mean everything,” he continued on. “Do you recall my lessons about **financial statements**? Do you remember my explaining that for there to be an **expense**, there must be **income** somewhere else?”

Now I was beginning to understand what he meant by “everything.” Newton’s universal laws also applied to financial statements. “So for every asset, there has to be a liability” I added just to let him know that I was beginning to follow his thinking: A universal law applies to everything.”

“And for something to be up, something else must be *down*,” added Mike. And for something to be *old*, something else has to be *new*. As Einstein said, ‘It’s all relative.’”

“Correct,” rich dad said with a smile.

“So how does this apply to security and freedom and your being willing to **pay twice the price**?” asked Mike.

“Good question,” said rich dad. “It’s important because if you don’t pay twice the price, you never get what you want anyway. In other words, if you don’t pay twice the price, **you do not get what you paid for in the first place.**”

“What?” I replied. “If you don’t pay twice you don’t get what you paid for?”

Rich dad nodded his head and began to explain. “People who pay the price **only for security** may never **really feel secure... like in job security,**” he stated boldly. “A person may have **a false sense of security,** but they never really feel secure.”

“So even though **my dad** has what he thinks is a safe, secure job, deep down he never really feels secure?” I asked.

“That’s correct,” said rich dad. “Because he is paying only for the action but **not his internal reaction.** The harder he works for security, or pays the price for security, the more his insecurity grows inside him.”

“Does it have to be **insecurity** as the reaction?” Mike asked.

“Good question,” rich dad commented. “No, it could be something else that is reacting. A person could have so much security that the reaction is **boredom** and then **restlessness.** They want to move on, but they don’t move on because then they would give up their security. So that is why I say each of us has different challenges, each of us is unique. **We’re unique** because we don’t react to things in the same ways that others do.”

“Like some people see a snake and panic, and others see a snake and get happy,” I added.

“That s correct. We are all different because **we are all wired differently,**” rich dad added.



“So what is the point of all this mental gymnastics?” I asked.

“The gymnastics are to make you think,” said rich dad. “I always want you to remember that everything has a price... and that the price is often twice as much as it seems. If you pay for only one side of Newton’s law, you may think you have paid the price but you may not get what you want.”

“Can you give us some examples?” I asked.

“I can give you general ones because, as I said, each of us is unique,” said rich dad. “But as a general rule, always remember there are two sides to each situation.

“For instance, the best employer has usually started his or her career as an employee. He or she uses that prior experience as an employee to develop a management style that empowers the employees he or she manages.”

“So a good employer will be honest and treat his or her employees how he or she would like to be treated?” I asked.

“Exactly” Rich dad nodded. “Now let’s look at an extreme example. What do you think it takes to be a good detective?”

“To be a good detective?” Mike and I repeated in tandem, thinking that rich dad was now driving down the wrong side of the road.

“Yes, a good detective,” rich dad continued. “To be a good detective, a detective must first be honest, moral, and of the highest integrity. Is that correct?”

“I would hope so,” said Mike.

“But to be good, a detective must also think exactly like a crook, or someone who is immoral, unlawful, and unethical,” said rich dad. “Always remember Newton’s law. You cannot be a good detective without also being able to think like a good crook.”

Mike and I were now nodding. We were finally beginning to understand where rich dad was going with this whole lesson. “So that is why a person who tries to become rich by being cheap still winds up, in many ways, as poor as someone who has no money?”

Rich dad continued, “And why someone who seeks only security never really feels secure. Or someone who seeks low-risk investments never feels investing is safe, and someone who is always right eventually winds up wrong. They pay the price for one side of the equation but fail to pay the full price. They violate a universal law”

Mike chimed in, “That is why it takes two people to have a fight. And to be a good detective you have to also be a good crook. To lower risk, you have to

take risks. To be rich you have to know what it is like to be poor. To know what a good investment is, you have to also know what a bad one is.”

“And that is why most people say investing is risky,” I added. “Most people think that to invest in a safe investment you must also lower your return on the investment. That is why so many people put money in a savings account. They put it in for security and are willing to take less interest for that safety. But the fact is, their money is being eaten away by inflation and the interest on their money is taxed at a high rate. So their ‘safe as money in the bank’ Always remember that everything idea is not such a safe idea.”

Rich dad concurred. “Having money in the bank is better than not having money in the bank... but you are correct by saying that it’s not as safe as they may like to think it is. There is a price for that illusion of safety”

Mike then turned to his dad and said, “You’ve always said that it’s possible to have both low-risk investments and very high returns.”

“Yes,” replied rich dad. “It is relatively easy to get a 20 percent to 50 percent return without paying a lot in taxes or using much of your own money, if you know what you are doing—and still have security.”

“So what you’re telling us now,” Mike said, “is that the price you paid was higher than what the average investor is willing to pay.”

Rich dad nodded. “Always remember that everything has a price, and that price is not always measured in money”

### *The Price of Being Cheap*

When I hear money gurus saying, “Cut up your credit cards, buy a used car, live below your means,” I know they mean well. And for most people, their advice is good advice. But as my rich dad said, “Everything has a price.” And the price for becoming rich by being cheap is that you still wind up being cheap. And living life as a rich but cheap person is, in my opinion, a very expensive price to pay.

Rich dad also said, “The problem is not the credit cards—it is the lack of financial literacy of the person holding the credit card that is the problem. Getting financially literate is part of the price you need to pay to become rich.”

And that is why so many people do not like the idea of cutting up their credit cards and living below their means. I think most people, given the choice, would rather enjoy this life as *rich people* who enjoyed *rich lives*... and they can, if they are willing to pay the price.